

November 13, 2001

**By E-Mail**

Ms. Gloria Blue  
Executive Secretary, TPSC  
Office of the U.S. Trade Representative  
600 Seventeenth Street, N.W.  
Washington, DC 20508

**Public Version**

Business Confidential  
Information Ranged

Re: **Exclusion Request Concerning Potential Action Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel**

Dear Ms. Blue:

Sony Electronics, Inc. ("Sony") hereby requests that there be excluded from the scope of any action that the President may take under Section 203 of the Trade Act of 1974 certain specialty corrosion-resistant steel sheet that is coated with a chromate-free coating. As detailed below, although Sony Electronics does not currently import this product, we are likely to do so in the near future and we are concerned that this product, which would replace another product that Sony must import because it is not available in the United States, would be unavailable because of import restrictions imposed pursuant to Section 203.

Before providing the specific information for this product that the Federal Register notice specified must be included in exclusion requests, let me first briefly explain Sony's United States production operations related to this request and its current purchases of the product that this chromate-free coated product would replace.

Sony produces televisions and television picture tubes or cathode ray tubes (“CRT’s”) at facilities in San Diego, California and Mount Pleasant, Pennsylvania. The San Diego facility employs [ ] people with a payroll totaling approximately [ ], and the Mount Pleasant facility employs approximately [ ] full-time workers with a payroll totaling approximately \$[ ]. In addition, Sony’s CRT and television manufacturing operations support over [ ] United States suppliers. Sony faces intense competition from lower-cost foreign producers, and it has made great efforts to retain its production of CRT’s in the United States rather than shifting to foreign locations such as Mexico. A Mexican program called PROSEC has reduced the import duty on non-NAFTA qualified television parts to 0.5% and Canada has a similar program. As a result, Sony’s United States production operations are at a considerable cost disadvantage, given the [ ] United States duty rate on television parts.

Sony purchases steel from U.S. mills when these mills can satisfy its requirements. However, in order to manufacture the CRTs, Sony Electronics must purchase steel parts that are manufactured from imported specialized steel products not available from United States steel mills. One of these specialized steel products is a coated steel sheet that we purchase for so-called heat-shrinkable bands that are used to protect from an explosion of the tubes in the event that the tube is shattered. For these heat-shrinkable bands, Sony requires a high-strength, cold-rolled steel product that is electrolytically coated with either pure zinc or zinc nickel, and that also currently includes a chromate coating. This product provides strict high-tensile strength to provide protection from an explosion of the tubes, and magnetic properties control to avoid a color drift caused by geomagnetic influence. Sony imports this product because no domestic steel mill can produce a coated steel sheet combining both high magnetic properties and a high-tensile yield strength. A request for exclusion is being filed for this product by the foreign

manufacturer. As explained in this request, import restrictions on this product would have a dramatic adverse impact on our profitability, and jeopardize Sony's operations.

With this background, let us now provide the required information to support Sony's request for exclusion of a chromate-free coated steel product for its heat-shrinkable bands.

1. Description of the product. As noted above, the product for which Sony Electronics seeks an exclusion is a corrosion-resistant steel product electrolytically coated with either pure zinc or zinc nickel and including a chromate-free coating. The specifications also include a yield strength of 26-41 kg/mm<sup>2</sup>, a tensile strength of 41-65 kg/mm<sup>2</sup> and a magnetic property of 350 or more.

2. The basis for requesting an exclusion. As explained above, the product that Sony is currently importing for the heat-shrinkable bands includes a chromate coating. Sony is also exploring the possibility of importing this product with a chromate-free coating. This chromate-free product would be a considerable improvement from an environmental standpoint, since chromate is a hazardous material. The presence of the chromate coating makes handling of the product more difficult and also creates difficulties when disposing of the heat-shrinkable bands or tubes incorporating the bands. Accordingly, grant of an exclusion for this product would be good for the environment.

Sony has requested quotations from United States mills as to whether they can supply this product with a chromate-free coating. Thus far, we have been advised by some steel mills that they are not able to provide this product, and no mill has indicated that they are able to

provide this product. We understand that no United States mill is able to make corrosion resistant steel sheet meeting our requirements with a chromate-free coating. Indeed, as explained above, Sony must import the product that we are currently purchasing for heat-shrinkable bands since this product is not available from United States steel mills. Accordingly, grant of an exclusion for this product with a chromate-free coating would not displace any U.S. steel production.

3. Names and locations of any producers of the product. As noted above, Sony does not believe that any U.S. steel producer can produce the product that it requires for its heat-shrinkable bands with a chromate-free coating. Indeed, as explained above, United States steel producers are not able to produce the chromate-coated products that Sony must currently import for its heat-shrinkable bands. Sony understands that [ ] can produce this corrosion-resistant steel product with a chromate-free coating.

4. Total U.S. production of product from 1996 to 2000. As explained above, to the best of Sony's knowledge, no U.S. steel mill can produce this product with a chromate-free coating, a result consistent with the responses to our requests for quotations from U.S. steel mills.

5. Any U.S.-produced substitutes. As explained above, there are no U.S.-produced substitutes for the coated steel sheet that Sony must currently import for its heat-shrinkable bands. Accordingly, as noted, an exclusion of this product with a chromate-free coating would not displace any United States domestic steel production, but would only shift Sony's purchases of imported steel from the current chromate-coated product to one that is chromate-free, with significant environmental benefits.

For the reasons detailed above, we believe that the above-described product with a chromate-free coating should be excluded from any relief that the President might provide under Section 203 in the steel case. We appreciate your consideration of this exclusion request. If you need any further detail, please let me know. My telephone number is 724-696-7941.

Sincerely,

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Louis Dubois  
Purchasing Agent  
SONY Display Device - Pittsburgh

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